

**A STUDY OF THE PERFORMANCE OF**  
**TOBACCO INDUSTRY (1997-2002)**

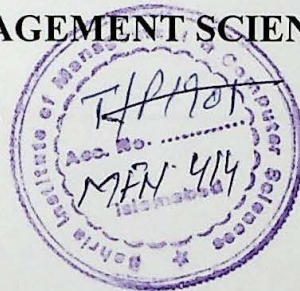
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## EXECUTIVE SUMMARY

Tobacco is one of the most controversial and debatable topics in the world. Tobacco has been controversial at least since its introduction into Europe shortly after Columbus reported that North American natives used its dried leaves for pleasure. Ever since that time, people have used tobacco have used tobacco leaves to derive some sort of sensory pleasure. Capitalizing on the market for tobacco, companies started manufacturing cigarettes. These cigarette-producing companies have now become huge corporate giants that contribute significantly to the world economy. The contribution is more pervasive in the third world countries, where lower Gross Domestic Products (GDP), unemployment and increased poverty force governments to favor the industry.

The economic impact of the tobacco industry on developing countries depends on whether there is domestic tobacco farming and/or domestic cigarette production. If, in developing countries, cigarettes are fully imported or are manufactured purely for domestic consumption, a reduction in smoking prevalence will lead to better economic outcomes. If a developing country exports tobacco or cigarettes, the economic impact is less clear. Pakistan's tobacco industry has been a traditionally dependable source of government income, contributing some 27.5 billion rupees per year - the equivalent of 4.4% of Pakistan's GDP. It has the largest yield of any crop in that country and employs some 1 million Pakistanis. The major market share of the industry is in the hands of two large companies, namely Pakistan Tobacco Company and Lakson Tobacco Company. Both these companies control almost the total cigarette production in the country. The

remainder is unevenly distributed between small and local manufacturers. However, anti-tobacco legislation, smuggling and counterfeit products that have littered the market heavily affect the industry. These factors have severely limited the industry's profitability.

The future of the industry is heavily dependant on how it will cope with the change that will definitely arrive. The harm that tobacco use does to health is irrefutable. The evidence in tens of thousands of careful scientific articles from around the world testifies that tobacco use (chewing or smoking) and inhaling "secondhand" or side stream smoke from cigarettes raises the risk of many serious diseases. Moreover, tobacco use is one of the major *preventable* causes of disease and premature death. The efficacy and cost effectiveness of a well-tested set of policies and interventions have been clearly established over several decades, in many countries around the world, at various income levels and in many different cultures.

However, many countries still hesitate to act decisively to reduce tobacco use, because they are concerned that the harm caused by tobacco may be offset by the economic benefits that the country derives from growing, processing, manufacturing, exporting and taxing tobacco. The argument that "tobacco contributes revenues, jobs and incomes" is a formidable barrier to tobacco control in many countries.